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PAGE 01

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LIMITED OFFICIAL USE SECTION 1/NOF 2 SAN JOSE 1269

E.O. 11652: GDS
TAGS: PGOV, EFIN, BF, CS
SUBJECT: VESCO CASE; ACTIVITIES OF VESCO'S PR MAN

BEGIN SUMMARY. THE EMBASSY RELEASED TO THE PRESS APRIL 9 A DETAILED STATEMENT THAT TOOK ISSUE WITH A HARSH COMMUNIQUE ISSUED BY RAUL ESPINOSA, VESCO'S PUBLICITY AGENT, WHICH CRITICIZED THE EMBASSY AND THE SEC FOR "DARK MANEUVERS" AGAINST THE INTEREST OF COSTA RICA. THE AMBASSADOR ALSO CALLED THE MATTER TO PRESIDENT FIGUERES' ATTENTION. THE PRESIDENT SAID THAT HE WOULD TAKE STEPS THROUGH HIS PRESS OFFICER TO INSURE THAT ESPINOSA DID NOT REPEAT ATTACKS ON THE EMBASSY. THE PRESIDENT HIMSELF ISSUED A PUBLIC STATEMENT APRIL 11 SAYING HE FOUND NOTHING IMPROPER IN THE EMBASSY'S CONDUCT AND DEPLORING SPECULATIVE PIECES THAT THREATENED TO DAMAGE US-COSTA RICAN RELATIONS. ESPINOSA (PRESUMABLY AFTER GETTING HIS WRISTS SLAPPED BY THE PRESIDENT) THEN TELEPHONED THE AMBASSADOR TO APOLOGIZE. ACTION REQUEST: INFORMATION WOULD BE APPRECIATED ON APRIL 3 SEC REQUEST FOR NEW LEGISLATION RE OFFSHORE FUNDS (SEE PARA 1 BELOW). END SUMMARY

1. IN A COMMUNIQUE, WHICH WAS PUBLISHED ONLY IN THE LOW-CIRCULATION AFTERNOON NEWSPAPER LA TARDE ON APRIL 7, AND ON APRIL 9 IN ITS MORE WIDELY READ SISTER PAPER EL DIARIO DE COSTA RICA, LAS A PAID AD, RAUL ESPINOSA CHARGED THAT THE

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PAGE 02

NC 35728

TOR:122310Z APR 73

EMBASSY HAD ENGAGED IN "DARK MANEUVERS", MOSTLY RELATED TO THE DELIVERY OF SEC DOCUMENTS TO THE NATIONAL ASSEMBLY'S MUTUAL FUNDS INVESTIGATING COMMITTEE. ESPINOSA ALLEGED THAT THE EMBASSY HAD TRIED TO COVER UP THE FACT THAT IT POSSESSED SEC DOCUMENTS, AND THEN DELIVERED THEM. HE ALSO REPEATED THE CHARGE THAT EMPLOYEES OF THE SEC, WHICH HE CALLED A "FINANCIAL CIA", HAD BEEN IN COSTA RICA TRYING TO BRIBE JOURNALISTS. FINALLY, HE CHARGED THAT THE SEC ACTED CONTRARY TO THE INTERESTS OF DEVELOPING COUNTRIES, CITING WHAT HE ALLEGED TO BE A SEC REQUEST OF THE US CONGRESS (1) FOR "EXTRATERRITORIAL JURISDICTION" IN ORDER TO REGULATE US INVESTMENT ABROAD AND (2) TO ORGANIZE AN ENTITY TO MONOPOLIZE THE SALE OF STOCKS TO FOREIGNERS (ESPINOSA QUOTES AS AUTHORITY ON THIS POINT A DOW JONES NEWS WIRE DATED MARCH 3, ALTHOUGH HE PRESUMABLY MEANT APRIL 3 AS ANOTHER DATE IN HIS ARTICLE IS ERRONEOUSLY SHOWN AS MARCH).

2. NONE OF THE OTHER PAPERS PRINTED THE ESPINOSA PIECE, ALTHOUGH ALL RECEIVED IT, AND SOME EDITORS PRIVATELY CALLED THE PIECE IRRESPONSIBLE. JULIO SUNOL, EDITOR OF BOTH LA TARDE AND EL DIARIO, CALLED AN EMBASSY OFFICER OVER THE WEEKEND AS LA TARDE WAS HITTING THE STREETS TO APOLOGIZE FOR THE PUBLICATION, STATING IT WAS INSERTED WITHOUT HIS PERMISSION. HE SAID HE HAD FIRED THE MAN RESPONSIBLE WHO, HE SAID, WAS A FRIEND OF ESPINOSA'S. SUNOL, WHO HAS BEEN THE MOST PERSISTENT AND FOCAL PRESS VOICE AGAINST VESCO, THEN RAN A SHARP EDITORIAL IN BOTH OF HIS PAPERS APRIL 8 AND 9 SHARPLY CRITICIZING WHAT HE CALLED VESCO'S ATTEMPT TO ACHIEVE POLITICAL POWER IN COSTA RICA THROUGH USE OF "COMPROMISED MONEY".

3. THE EMBASSY, WHICH HAS REMAINED STUDIOUSLY LOW-KEY ON ALL ASPECTS OF THE VESCO CASE DESPITE AN AGGRESSIVE ONGOING PUBLIC RELATIONS CAMPAIGN BY VESCO'S MAN DESIGNED TO DISCREDIT THE SEC (SAN JOSE 1200), DECIDED THAT IT HAD TO ANSWER THIS CHARGE DESPITE ITS LIMITED PUBLICATION SINCE IT WAS SO BLATANT AND SO DISTORTED. AN EMBASSY PRESS RELEASE RELATED THE FACTS AND REASONS FOR THE INFORMATIONAL EXCHANGES BETWEEN THE SEC, THE EMBASSY AND THE ASSEMBLY'S

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PAGE 03-03

NC 35728

TOR:122310Z APR 73

INVESTIGATING COMMISSION, DENIED THAT SEC OFFICIALS HAD BEEN IN COSTA RICA; EXPLAINED THE EMBASSY'S ROLE AS THE LEGITIMATE REPRESENTATIVE OF ALL US GOVERNMENT AGENCIES, INCLUDING THE SEC; AND DEPLORED ESPINOSA'S USE OF INNUENDO WHICH COULD ONLY HURT US-CR RELATIONS. THE RELEASE APPENDED A SEPARATE DESCRIPTIVE STATEMENT ON WHAT THE SEC WAS, INTENDED TO CLARIFY ESPINOSA'S DISTORTIONS OF THAT AGENCY'S FUNCTION AND PURPOSE. THE EMBASSY'S RELEASE WAS PRINTED IN LA TARDE AND EL DIARIO, BUT NOT BY THE OTHER PAPERS, WHO TOLD US THAT SINCE THEY HAD NOT PRINTED THE ORIGINAL COMMUNIQUE THEY DID NOT WANT TO FOLLOW THIS UP. LA NACION DID HOWEVER SUMMARIZE SOME OF THE RELEASE IN AN EDITORIAL PAGE COLUMN, APPLAUDING THE SEC'S WATCHDOG ROLE.

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LIMITED OFFICIAL USE SECTION (2 OF 2) SAN JOSE 1269

4. IN A MEETING ON APRIL 9, THE AMBASSADOR BROUGHT THE MATTER TO PRESIDENT FIGUERES' ATTENTION, STATING THAT HE FELT THE ESPINOSA PIECE IMPUGNED THE INTEGRITY OF THE EMBASSY AND THE USG AND DAMAGED RELATIONS BETWEEN THE COUNTRIES AND THAT HE WAS OBLIGED TO RESPOND PUBLICLY. WANTING TO BE SURE THERE WAS NO DOUBT IN THE PRESIDENT'S MIND THAT THE EMBASSY HAD ACTED IN ANY WAY BUT PROPERLY, HE EXPLAINED THE TRANSMITTAL OF DOCUMENTS AND DENIED THAT SEC OFFICIALS HAD BEEN IN THE COUNTRY. HE ASKED THE PRESIDENT TO TRY TO REIN-IN ESPINOSA. THE PRESIDENT RESPONDED POSITIVELY, AND STATED THAT THE GOCR SHOULD ASSIST THE EMBASSY IN REFUTING ANY IMPLICATION OF "DARK MANEUVERS". IN THE AMBASSADOR'S PYESENCE, 5#3 0438\$3,5 :-))3\$ #8 :7?-,-BORN PRESS SECRETARY, WHO IS APPARENTLY CLOSE TO ESPINOSA, TO TELL HIM TO CAUTION ESPINOSA ON FUTURE STATEMENTS. THE PRESIDENT ALSO ISSUED A PRESS STATEMENT SAYING THAT HE FOUND NO FAULT WITH THE EMBASSY'S CONDUCT IN DELIVERING DOCUMENTS TO THE ASSEMBLY, AND DEPLORING "SPECULATIVE PIECES" WHICH COULD DAMAGE US-COSTA RICAN RELATIONS. THIS WAS PRINTED IN EL DIARIO, AND LA TARDE AND WAS ALSO FRONTPAGED BY LA REPUBLICA.

5. IN RESPONSE TO THE EMBASSY RELEASE, ESPINOSA SENT A LETTER TO THE AMBASSADOR DENYING THAT HE MEANT TO ATTACK THE EMBASSY, AND IN SQUIRMING AND GRACELESS FASHION CLAIMED THAT LOCAL PRESS STORIES WERE THE AUTHORITIES FOR HIS

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PAGE 02-02

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CHARGES ON DELIVERY OF DOCUMENTS AND PRESENCE OF SEC OFFICIALS. HE ALSO REPEATED THE CHARGE THAT THE SEC SOUGHT "EXTRATERRITORIAL JURISDICTION". THIS WAS PRINTED IN EL DIARIO APRIL 11. HOWEVER, ON APRIL 11 ESPINOSA TELEPHONED THE AMBASSADOR AND APOLOGIZED SAYING IT WAS NOT HIS INTENTION TO ATTACK US, SINCE HE HIMSELF WAS AN AMERICAN CITIZEN. HE SAID THAT HE HAD ASSURED FIGUERES THAT HE DID NOT WISH TO CREATE ANY TROUBLE (PRESUMABLY THE PRESIDENT TALKED TO HIM AND SLAPPED HIS WRISTS).

6. TEXTS OF ALL RELEASED ARE BEING AIR-POUCHED TO ARA/CEN.

7. ACTION REQUESTED: DEPARTMENT AND SEC ARE REQUESTED TO SUPPLY EMBASSY WITH COMMENT AND ANALYSIS OF REPORTED APRIL 3 SEC REQUEST FOR NEW LEGISLATION ON OFF-SHORE FUNDS (PARA 1 ABOVE), INCLUDING IF POSSIBLE THE TEXT OF SEC MESSAGE OR BILL SENT TO CONGRESS. VAKY

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